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SUBJECT: KOSOVO: EMBASSY WELCOMES SENATORS VOINOVICH AND SHAHEEN ON
KOSOVO INDEPENDENCE DAY FEBRUARY 17

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SENSITIVE BUT UNCLASSIFIED - PLEASE PROTECT ACCORDINGLY

11. (U) SUMMARY: Embassy Pristina warmly welcomes the visit of Senator Voinovich and Senator Shaheen to Kosovo on February 17. Your visit will take place on the second anniversary of Kosovo's independence. You will find a peaceful and stable country where cooperation between ethnic Albanians and Serbs in southern Kosovo continues to improve. Successful GOK-run November 2009 municipal elections and strong participation by Serb voters in the southern Kosovo are signs of political maturity and increasing Serb confidence in independent Kosovo. Four new municipalities have been established as a part of the Ahtisaari-mandated decentralization process. The GOK and its international partners are now working to deepen decentralization. The Government of Serbia maintains significant influence in northern Kosovo, with illegal parallel government institutions preventing Kosovo institutions from extending Kosovo's legitimate authority across its territory. The GOK this year will build on the success of decentralization in the south and initiate a new, comprehensive approach to win support for Kosovo institutions in the north. The economic situation remains gloomy and underscores the importance of strengthening the rule of law and establishing proper legal and regulatory environments. END SUMMARY.

KOSOVO AFTER TWO YEARS

12. (U) Your visit to Pristina takes place on the second anniversary of Kosovo's independence. This second year has marked some important foreign policy successes, including Kosovo's admission to the World Bank and the International Monetary Fund and a slowly growing number of recognitions by other governments. The year also saw the growth and consolidation of critical Kosovo institutions, as the Constitutional Court came into existence and the Central Elections Commission managed Kosovo's first post-independence elections. The important work of decentralization -- initially related to Ahtisaari Plan requirements for establishing

Serb-majority municipalities, but really about moving government closer to the people -- began in earnest.

13. (U) You will find a peaceful and stable -- but still fragile -- country where cooperation between Albanians and Serbs throughout southern Kosovo improves daily. In northern Kosovo, the existence of illegal parallel institutions that answer to Belgrade prevents the Government of Kosovo (GOK) from extending its legitimate authority, but the northern municipalities are generally peaceful. The situation has improved to the point that KFOR has downsized from 15,000 to 10,000 troops as of January 31. As you observe independence day events, you will see Kosovo Albanians celebrating, while Kosovo Serb responses will range from rejection to resigned acceptance. Congratulate the President and Prime Minister, during your meeting, for their independence day, but take a more circumspect approach with the Serbs you will meet. Even the ethnic Serb mayors you will see who participate in Kosovo institutions will not wish to emphasize the day's significance. This sharp division on Kosovo's status is also reflected in the GOK's ongoing challenge to gain international recognition of the country's independence. At present, 65 countries have recognized Kosovo, including 22 of 27 European Union (EU) member states.

OUR PRIORITIES

14. (U) We have used the lead-up to Kosovo's independence day to focus our attention on the GOK's most important challenges. The important work of decentralization must continue in 2010: competencies must be transferred from the central to the municipal level; new municipalities must receive adequate resources to succeed; municipal governments must quickly demonstrate their relevance in responding to citizens' needs. The capacity and

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independence of Kosovo's new law enforcement and judicial institutions must grow and command respect throughout the country. Respect for the rule of law is also the key to needed economic development. A young and growing population needs investment and jobs. We regularly emphasize that the right legal and regulatory environment is the key to private sector investment and related economic development. Only by intensifying its dedication to building a democratic, multiethnic society where the rule of law prevails will Kosovo become a prosperous country that is capable of taking its place in the Trans-Atlantic family of nations.

ELECTIONS: A SIGN OF POLITICAL MATURITY

15. (U) The success of Kosovo's November 2009 municipal elections is a sign of the country's maturing democracy. Kosovo held its first post-independence elections last Fall, with Albanian and Serb candidates competing for mayors' offices and seats on municipal assemblies. This was the first time since the end of hostilities that Kosovo administered its own elections. (Note: In previous years, the OSCE implemented elections. End Note) International observers, including teams of Embassy and USG observers, noted that elections generally met international standards. Most refreshing was that Serbs participated in the elections in large numbers and elected Serb mayors in four municipalities: Gracanica, Kllokot/Klokot, Ranillug/Ranilug, and Shterpce/Strpce. You should compliment the President and Prime Minister on the successful elections. With the Serb mayors you will meet, praise their courage for choosing to run for Kosovo offices and engage them in a discussion about the continued presence of Serbian parallel institutions that answer to Belgrade.

DECENTRALIZATION AND MUNICIPAL ELECTIONS

16. (SBU) Under the Ahtisaari Plan, the blueprint for Kosovo's independence, Kosovo has an obligation to establish six Serb-majority municipalities. During November's successful municipal elections, four of these "newly-decentralized" municipalities (Gracanica, Ranilug, Klokot, and an expanded Novo Brdo) participated as new political entities. Serbs in these

localities went to the polls in much larger-than-expected numbers, and decentralization is off to a good start. The President and Prime Minister merit recognition for their support -- sometimes in the face of vocal protests from Albanian nationalists -- for the decentralization process. Three of the four mayors you will meet are from newly-decentralized municipalities. The fourth mayor, from Strpce, represents a municipality that already had an ethnic-Serb majority but his election represents a sharp setback for the parallel structures' former stranglehold on the municipality. The remaining new Serb-majority municipalities to be decentralized -- Partesh/Partes and North Mitrovica -- are still in the process of standing up and will hold special elections later this year to select mayors and municipal assemblies. With all of these mayors, it is appropriate to discuss the inter-ethnic dynamics that exist in their municipalities as well as the challenges they face in establishing their municipalities. You can assure them that we will continue to support their efforts to establish vital and robust communities that will meet the needs of all of their citizens.

NORTHERN KOSOVO: A WORK IN PROGRESS

17. (SBU) Northern Kosovo has not seen the same progress on interethnic reconciliation as the region south of the Ibar River. Serb-majority northern Kosovo remains an impoverished, forlorn place where the GOK holds little sway. In an effort to capitalize on the success of decentralization in southern Kosovo, the GOK is cooperating with the International Civilian Office (ICO) to implement a new approach for northern Kosovo that outlines a way forward in winning Serb support in the north for GOK structures and institutions. In Vienna last week, the International Steering Group

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endorsed this approach, and you should express your encouragement to the President and Prime Minister for progress in the north that brings hope and development to the region. Hardline Serb political and church leaders have opposed the approach, at times using incendiary language to suggest it will provoke conflict but both UN and EU representatives have told us that the communities there are beginning to see new hope for their future in this constructive initiative. The approach introduces incremental changes in the north that will begin to shift momentum in the region towards Pristina. We have transmitted a copy of the approach to you under separate cover.

THE SERBIAN ORTHODOX CHURCH IN KOSOVO

18. (SBU) The Serbian Orthodox Church (SOC) in Kosovo is in flux. Its official head in Kosovo, Diocesan Bishop Artemije Radosavljevic based in Gracanica, is a hardliner who rejects any contact with Kosovo institutions. Until December 2009, he prevented SOC officials from signing electricity contracts due to concern that such an action was tantamount to recognizing Kosovo's independence. A committee sent by the SOC Synod in Belgrade is currently in Gracanica to investigate financial improprieties there. We hear Artemije is being asked to step down, or face appointment of a tutor to act in his name. One of the committee members sent to confront Artemije is Vicar Bishop Teodosije Sibalic, Abbot of the Visoki Decani Monastery. You will meet Bishop Teodosije's number two, Father Sava, at lunch, and you should discuss with him the changes that are looming for the SOC in Kosovo. Explore with him, as well, the SOC's interests in establishing the Ahtisaari-mandated framework for the protection of SOC sites in Kosovo. Expect Sava to express concern over KFOR's drawdown and the possible removal of troops which currently protect SOC sites. We remain closely engaged with the monks and are leading a quiet, gradual effort to effect a reconciliation between them and the local Albanian residents and leaders in Decan.

ECONOMIC OUTLOOK REMAINS GLOOMY

19. (U) Kosovo's economic situation remains difficult. You will see ubiquitous road building projects, but there is limited foreign direct investment and unemployment hovers around 40 percent.

Remittances from Kosovars abroad and foreign assistance constitute a significant portion of the economy. Kosovo's most significant development project is centered on a new power plant as part of the privatization of the Kosovo Energy Corporation. Pre-qualified investors, including international consortia with U.S. participants, have until the end of February to submit sealed bids for the project. When complete, the 500 MW plant will take advantage of Kosovo's rich coal reserves and will put an end to an unstable nationwide power supply that continues to limit development and foreign investment. We are working closely with the GOK to provide expert guidance on renovating the country's dilapidated power grid and to ensure that privatization proceeds according to internationally recognized best practices. In your meetings with all of your interlocutors, highlight the role that the private sector in the United States plays in economic development. Stress the importance of developing policies and regulatory frameworks that spur private sector growth.

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